AMENDED IN ASSEMBLY SEPTEMBER 11, 2013 AMENDED IN ASSEMBLY APRIL 9, 2013

CALIFORNIA LEGISLATURE—2013-14 REGULAR SESSION

ASSEMBLY BILL

No. 690

Introduced by Assembly Member Campos

February 21, 2013

An act to amend Sections 53395, 53395.1, 53395.3, 53395.4, 53395.10, 53395.13, 53395.14, 53395.19, and 53395.20 of, to add Sections 53395.3.6, 53395.3.7, 53395.3.8, 53395.3.9, 53395.3.10, 53395.3.11, and 53395.3.12 to, and to repeal Sections 53395.5, 53395.23, and 53395.24 of, the Government Code, and to amend Section 33459 of the Health and Safety Code, relating to jobs and infrastructure *education* financing districts.

LEGISLATIVE COUNSEL'S DIGEST

AB 690, as amended, Campos. Jobs and infrastructure education financing districts: voter approval.

Existing law authorizes a legislative body, as defined, to create an infrastructure financing district, adopt an infrastructure financing plan, and issue bonds, for which only the district is liable, to finance specified public facilities, upon approval by $\frac{2}{3}$ of the voters. Existing law authorizes an infrastructure financing district to fund infrastructure projects through tax increment financing, pursuant to the infrastructure financing plan and agreement of affected taxing entities, as defined.

Existing law, the Polanco Redevelopment Act, authorizes a redevelopment agency to take any action that the agency determines is necessary and consistent with state and federal laws to remedy or remove a release of hazardous substances on, under, or from property within a

AB 690 — 2 —

9

10

11

14

15

16

17 18

19

20

21

22

23

project area, whether the agency owns that property or not, subject to specified conditions.

This bill would revise and recast the provisions governing infrastructure financing districts and instead provide for the creation of jobs and—infrastructure education financing districts—(JIDs) (JEDs) without voter approval, and would make various conforming changes. The bill would authorize a public financing authority to enter into joint powers agreements with affected taxing entities with regard to nontaxing authority or powers only. The bill would authorize a district to implement hazardous cleanup pursuant to the Polanco Redevelopment Act, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. It is the intent of the Legislature to do all of the 2 following:
- 3 (a) Establish a program that will enable local cities and counties to form tax exempt financing authorities known as Job and Infrastructure Jobs and Education Financing Districts—(JIDs). (JEDs).
 - (b) To authorize—JIDs JEDs to prepare comprehensive job creation plans—(JCP), (JCPs), the objective of which shall be to identify the targeted industries that would be provided assistance in the form of property tax increment financing to locate or expand within the JID. JED.
- SEC. 2. Section 53395 of the Government Code is amended to read:
 - 53395. The Legislature finds and declares all of the following:
 - (a) The state and federal governments have withdrawn in whole or in part from their former role in financing major, regional, or communitywide infrastructure, including highways and interchanges, sewage treatment and water reclamation works, water supply and treatment works, flood control and drainage works, schools, libraries, parks, parking facilities, open space, and seismic retrofit and rehabilitation of public facilities.
 - (b) The methods available to local agencies to finance public works often place an undue and unfair burden on buyers of new

-3- AB 690

homes, especially for public works that benefit the broader community.

- (c) The absence of practical and equitable methods for financing both regional and local public works leads to a declining standard of public works, a reduced quality of life and decreased safety for affected citizens, increased objection to otherwise desirable development, and excessive costs for homebuyers.
- (d) It is equitable and in the public interest to provide alternative procedures for financing public works and services needed to meet the needs of new housing and other development projects.

(e)

(a) Approximately 85 percent of the state's general fund budget is generated by income-tax taxes and sales tax and use taxes, which are derived from, or are directly linked to, employment. Therefore, the state's structural budget deficit will not be resolved unless private sector investment is encouraged.

(f)

- (b) Tax increment financing is recognized as a compelling and flexible financing tool for inducing private sector investment that creates jobs and tax revenue for the state and for local communities.
- (c) Local prevailing wage job creating projects that use tax increment financing based on property tax have the potential to return new income tax and sales tax revenue to the state on an annual basis that would exceed the incremental property tax invested in these projects. Increased tax revenues provide a link between job creation and a balanced state budget, thus enabling the state to meet its financial commitments to education and long-term stable economic development.
- SEC. 3. Section 53395.1 of the Government Code is amended to read:
- 53395.1. Unless the context otherwise requires, the definitions contained in this article shall govern the construction of this chapter.
- (a) "Affected taxing entity" means any governmental taxing agency that levied or had levied on its behalf a property tax on all or a portion of the property located in the proposed district in the fiscal year prior to the designation of the district, but not including any county office of education, school district, or community

AB 690 —4—

college-district. district, except as provided in paragraph (1) of subdivision (d) of Section 53395.14.

- (b) "City" means a city, a county, a city and county, or a joint powers authority that is acting as the military base reuse authority established pursuant to Title 7.86 (commencing with Section 67800).
- (c) "Debt" means any binding obligation to repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals. individuals, reimbursement agreements, advances, or other forms of indebtedness or financial obligation, including, but not limited to, commercial paper, variable rate demand notes, all moneys payable in relation to the debt, and all debt service coverage requirements in any debt instrument.
- (d) "Designated official" means the city engineer or other appropriate official designated pursuant to Section 53395.13.
- (e) (1) "District" means a job jobs and infrastructure education financing district.
- (2) A jobs and infrastructure education financing district is a "district" within the meaning of Section 1 of Article XIII A of the California Constitution.
- (f) "Jobs and infrastructure education financing district" means a legally constituted governmental entity established pursuant to this chapter for the sole purpose of financing public facilities, and real and tangible commercial property—improvements. improvements as defined in subdivision (a) of Section 53395.3.
- (g) "Landowner" or "owner of land" means any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of the land by the legislative body. The legislative body has no obligation to obtain other information as to the ownership of land, and its determination of ownership shall be final and conclusive for the purposes of this chapter. A public agency is not a landowner or owner of land for purposes of this chapter, unless the public agency owns all of the land to be included within the proposed district.
- (h) "Legislative body" means the city council or board of supervisors. supervisors, or joint powers authority that is acting as the military base reuse authority established pursuant to Title 7.86 (commencing with Section 67800).

—5— **AB 690**

1 SEC. 4. Section 53395.3 of the Government Code is amended 2 to read:

- 53395.3. (a) A district may finance (1) the purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated useful life of 15 years or longer that satisfies the requirements of subdivision (b), (2) may finance planning and design work that is directly related to the purchase, construction, expansion, or rehabilitation of that property, and (3) the costs described in Sections 53395.5 and 53396.5. A district may only finance the purchase of facilities for which construction has been completed, as determined by the legislative body. The facilities need not be physically located within the boundaries of the district. A district shall not finance routine maintenance, repair work, or the costs of ongoing operation or providing services of any kind.
 - (b) The district shall finance only public capital facilities of communitywide significance, which provide significant benefits to an area larger than the area of the district, including, but not limited to, all of the following:
- (1) Highways, interchanges, ramps and bridges, arterial streets, parking facilities, and transit facilities.
- (2) Sewage treatment and water reclamation plants and interceptor pipes.
- (3) Facilities for the collection and treatment of water for urban uses.
- (4) Flood control levees and dams, retention basins, and drainage channels.
 - (5) Child care facilities.
- 29 (6) Libraries.

3

4

5

6

7

8

9

10

11

12

13

14 15

16 17

18

19 20

21

22

23

24 25

26

27

28

30

36

37

38

39

- (7) Parks, recreational facilities, and open space.
- 31 (8) Facilities for the transfer and disposal of solid waste, 32 including transfer stations and vehicles.
- 33 (9) Remediation of hazardous materials in, on, under, or around 34 any real or tangible property. 35
 - (10) Seismic and life-safety improvements to existing buildings.
 - (11) Rehabilitation, restoration, and preservation of structures, buildings, or other facilities having special historical, architectural, or aesthetic interest or value and that are listed on the National Register of Historic Places, are eligible for listing on the National Register of Historic Places individually or because of their location

AB 690 — 6 —

within an eligible registered historic district, or are listed on a state
 or local register of historic landmarks.

- 3 (12) Structural repairs and improvements to piers, seawalls, and wharves.
 - (13) Removal of bay fill.
 - (14) Stormwater management facilities, other utility infrastructure, or public open-space improvements.
 - (15) Shoreline restoration.
 - (16) Other repairs and improvements to maritime, transportation, utility or other infrastructure facilities.
 - (17) Planning and design work that is directly related to any public facilities authorized to be financed by a district.
 - (18) The repayment of the transfer of funds to a military base reuse authority pursuant to Section 67851.

15 (c

 53395.3. (a) The district may finance the costs of real and tangible commercial property improvements, including the costs of acquisition, installation, construction, inducements to private parties, and costs of planning and design thereof, as well as the costs of educational or job training programs created, established, or continued in association therewith, in accordance with the procedures contained in Sections 53395.13 and 53395.14.

(d)

(b) The district shall be a local agency within the meaning of subdivision (d) of Section 33459 of the Health and Safety Code and may finance any actions necessary to implement the Polanco Redevelopment Act (Article 12.5 (commencing with Section 33459) of Chapter 4 of Part 1 of Division 24 of the Health and Safety Code).

30 (e)

- (c) The district may engage in activities in which property tax increment is assumed, used, transferred, or otherwise encumbered by the district for activities authorized in this section and during the life of the district, as determined by paragraph (4) of subdivision (d) of Section 53395.14, until the unemployment rate of the district falls below the threshold stated in subdivision (c) of Section 53395.10.
- 38 SEC. 5. Section 53395.3.6 is added to the Government Code, 39 to read:

7 AB 690

53395.3.6. (a) There is in each city a public, corporate instrumentality of the State of California, known as the jobs and infrastructure education financing district of the city. Each city is authorized to utilize that district in the issuance of revenue bonds in the accomplishment of the public purposes as provided in Section 53395.3. The purposes provided in Section 53395.3 shall be deemed to constitute public purposes of the city, and the exercise by each district of the powers conferred by this title, including the power to issue revenue bonds, shall be deemed to be the performance of an essential governmental function of the city. However, that exercise of the powers conferred by this title in the achievement of the purposes provided in Section 53395.3 shall be subject to the provisions of, and exclusively as provided in, this article.

- (b) A district shall not transact any business or exercise any powers under this article unless, by ordinance, the city council declares that there is a need for the district and that the district shall function. The ordinance shall be subject to referendum in the manner prescribed by law for ordinances of the city.
- (c) A district shall conclusively be deemed to have been established and authorized to transact business and exercise its powers upon proof of the adoption of the ordinance.
- (d) Notwithstanding any other provision of this article, a city shall have the power to transact any business or exercise any powers of a district conferred by this title without having to establish a district. However, a city, at its option may, establish a district pursuant to this article to exercise any powers conferred by this article. In the event that a city acts as a jobs and infrastructure financing district, any reference to district and board contained in this title shall mean city and city council, respectively.
- SEC. 6. Section 53395.3.7 is added to the Government Code, to read:
- 53395.3.7. The sole purpose of a district is to undertake projects through the issuance of revenue bonds in accomplishment of the purposes provided in Section 53395.3, to carry out and complete those projects, and to perform and exercise derivative obligations and powers.
- SEC. 7. Section 53395.3.8 is added to the Government Code, to read:

AB 690 —8—

53395.3.8. (a) All powers vested in districts shall be exercisable as their respective boards shall provide, solely to accomplish the purposes of districts.

- (b) The board shall consist of all of the members of the city council.
- (c) The directors shall serve without compensation, except that they may be reimbursed for their actual and necessary expenses incurred in the performance of their duties, or may receive a reasonable per diem payment and mileage charge as reimbursement for living and traveling expenses incurred in the performance of duties away from the principal office. In addition, they also may receive a reasonable mileage charge as reimbursement for traveling expenses to and from the principal office of the authority, or the place of meeting, if other than at the principal office.
- SEC. 8. Section 53395.3.9 is added to the Government Code, to read:
- 53395.3.9. (a) The principal office of a district shall be located at the principal office of the city.
- (b) Each district board shall have a chairperson, who shall be elected by the members of the board from among its membership.
- (c) Public officers of a district consist of the chairperson and members of the board, a secretary, a treasurer, and those assistants for the secretary and the treasurer as the board may appoint. The corresponding officers of the city may, by designation by resolution of the board, be the secretary, the treasurer, and the assistants of the district. The secretary, the treasurer, and the assistants may be compensated.
- (d) A district shall file with the clerk of the city a certificate of a majority of the authorized number of directors as to the secretary and any assistant secretaries of the district, and the certificate, until superseded by a later certificate, shall be conclusive with respect to the district of which the person is the secretary or assistant secretary, as the case may be, of the district.
- (e) A certificate of the clerk of the city as to the secretary or assistant secretary of the district, and of the secretary or assistant secretary so certified as to the incumbents of any offices, shall be conclusive with respect to the city and the district that those persons are the incumbents of those offices in any transactions of the district authorized by this title.

-9-**AB 690**

1 SEC. 9. Section 53395.3.10 is added to the Government Code, 2 to read:

- 3 53395.3.10. (a) A district may appoint any employees and 4 agents, including, without limitation, financial advisers or consultants, accountants, architects, engineers, or other experts or advisers as it requires, and may determine their qualifications, duties, terms of employment or engagement, and compensation. 8 Officers, agents, or employees of a city may also be agents or employees of a district. Officers, agents, or employees of a district 10 shall not, by reason thereof, be deemed to be officers, agents, or employees of a city. A district shall adopt personnel rules and 12 regulations applicable to its employees.
 - (b) A district may contract for legal counsel as in its judgment is necessary or advisable to enable it to carry out its purposes, including bond counsel as it deems advisable in connection with any proceedings.
 - (c) An attorney or firm of attorneys employed as counsel by a company may not serve at the same time as legal counsel, including bond counsel, and a person or firm employed as financial adviser by a company may not serve at the same time as financial adviser, to the district in connection with any project or proposed project for the company.
 - SEC. 10. Section 53395.3.11 is added to the Government Code,
 - 53395.3.11. A member of the board or other officer of a district or a member of the city council who has any financial interest, other than an interest as defined by Section 1091 or 1091.5, in any project, project agreement, indenture, bonds, bond, or the sale thereof, shall fully disclose the nature of the interest to the board, or city council, and shall not cast a vote upon any matter concerning that project, project agreement, indenture, bonds, bond, or the sale thereof, in any manner whatsoever, except that the presence of the member may be considered in determining the existence of a quorum.
- 35 SEC. 11. Section 53395.3.12 is added to the Government Code, 36 to read:
- 37 53395.3.12. A district may do all of the following:
 - (a) Sue and be sued in its own name.
- 39 (b) Have an official seal.

7

11

13

14

15

16

17

18

19

20

21

22

23

24 25

26

27

28

29

30

31

32

33

34

38

40 (c) Have perpetual succession. AB 690 — 10 —

 (d) Make and execute contracts and other instruments and documents.

- (e) Make, amend, and repeal bylaws governing procedures and meetings of the board and the duties of its officers, and make, amend, and repeal rules, regulations, and policies governing the transaction of its business and the exercise of its powers.
- (f) Use premises of, subject to the regulation thereof by, the city.
- (g) Administer its funds and deposit, invest, and reinvest funds in the types of securities or obligations permitted by the city in accordance with law.
- (h) Use discretion in the undertaking of projects, including the establishment of reasonable priorities and criteria among the types and locations of projects and regarding companies.
- SEC. 12. Section 53395.4 of the Government Code is amended to read:
- 17 53395.4. (a)—A district may include areas that are not 18 contiguous.
 - SEC. 13. Section 53395.5 of the Government Code is repealed.
- SEC. 14. Section 53395.10 of the Government Code is amended to read:
 - 53395.10. A legislative body of a city may designate one or more proposed job and infrastructure jobs and education financing districts pursuant to this chapter in a United States Census-defined area with high unemployment in excess of 7 percent, as determined by the most recent data available from the American Community Survey (ACS) of the federal Bureau of Labor Statistics (BLS) of the United States Department of Labor at the time the district is formed. The United States Census-defined area is comprised of census tracts that may define conterminous areas within a city, or conterminous areas that reside in more than one city. Proceedings for the establishment of a district shall be instituted by the adoption of a resolution of intention to establish the proposed district and shall do all of the following:
 - (a) State that a job and infrastructure financing district is proposed to be established under the terms of this chapter and describe the boundaries of the proposed district, which may be accomplished by reference to a map on file in the office of the clerk of the city.

-11- AB 690

(b) State the type of public facilities and development proposed to be financed or assisted by the district in accordance with Section 53395.3.

- (c) State the need for the district based upon the most recent month's unemployment rate as published by the Employment Development Department and the goals the district proposes to achieve. These goals shall include, but are not limited to, reduction of the district unemployment rate to the national average, as determined by the latest information from the United States Bureau of Labor Statistics, or 5 percent, whichever is lower.
- (d) State that incremental property tax revenue from the city and some or all affected taxing entities within the district may be used to implement the job creation plan adopted pursuant to Section 53395.14.
- (e) Fix a time and place for a public hearing on the proposal. SEC. 15. Section 53395.13 of the Government Code is amended to read:
- 53395.13. After adopting the resolution pursuant to Section 53395.10, the legislative body shall designate and direct the appropriate official to prepare a job creation plan (JCP) pursuant to Section 53395.14.
- SEC. 16. Section 53395.14 of the Government Code is amended to read:
- 53395.14. After receipt of a copy of the resolution of intention to establish a district, the official designated pursuant to Section 53395.13 shall prepare a proposed JCP. The JCP shall be consistent with the general plan of the city within which the district is located and shall include all of the following:
- (a) A map and legal description of the proposed district, which may include all or a portion of the district designated by the legislative body in its resolution of intention.
- (b) A description of the public facilities required to serve the development proposed in the area of the district including those to be provided by the private sector, those to be provided by governmental entities without assistance under this chapter, those public improvements and facilities improvements, facilities, real and tangible commercial property improvements, and education and job training programs to be financed with assistance from the proposed district, and those to be provided jointly. The description shall include the proposed location, timing, and costs of the public

AB 690 — 12 —

1 2

 improvements and facilities. improvements, facilities, real and tangible commercial property improvements, and education and job training programs.

- (c) A finding that the public facilities—are of communitywide significance—and and real and tangible commercial property improvements provide significant job creation benefits to—an area larger than the area of the district. the area within the district or to the city within which the district is located.
- (d) A financing section, which shall contain all of the following information:
- (1) A specification of the maximum portion of the incremental tax revenue of the city and of each affected taxing entity proposed to be committed to the district for each year during which the district will receive incremental tax revenue. The portion need not be the same for all affected taxing entities. The portion may change over—time. time, however the district may acquire or use a maximum of 50 percent of the combined state, county office of education, school district, and community college district share of tax increment on an annual basis.
- (2) A projection of the amount of tax revenues expected to be received by the district in each year during which the district will receive tax revenues, including an estimate of the amount of tax revenues attributable to each affected taxing entity for each year.
- (3) A plan for financing the public—facilities improvements, facilities, real and tangible commercial property improvements, and education and job training programs to be assisted by the district, including a detailed description of any intention to incur debt.
- (4) A date on which the district will cease to exist, by which time all tax allocation to the district will end. The date shall not be more than 45 years from the date on which the ordinance forming the district is adopted pursuant to Section 53395.23.
- (5) An analysis of the costs to the city of providing facilities and services to the area of the district while the area is being developed and after the area is developed. The JCP shall also include an analysis of the tax, fee, charge, and other revenues expected to be received by the city as a result of expected development in the area of the district.
- (6) An analysis of the projected fiscal impact of the district and the associated development upon each affected taxing entity.

-13- AB 690

(7) A list of targeted industries and workforce categories that have higher unemployment relative to other industries and workforce categories within the district.

- (e) A formula that illustrates the estimated number of jobs to be created pursuant to the JCP, with the requirement that for every one million dollars (\$1,000,000) invested in tax increment or companion private funds, the—JHD JED shall create 10 full-time equivalent (FTE) jobs for qualifying employees within two years of the start of construction, which shall occur within six months of agreement approval. All construction jobs generated shall be prevailing wage jobs.
- (f) Construction and permanent FTE jobs may receive credit for indirect and induced jobs created pursuant to an accepted analysis that applies a nationally accepted economic impact model.

 (f)
- (g) A description of any plan to encourage public-private partnerships with employers and developers for property acquisitions, building and tenant improvements, and equipment purchases, and implementing and achieving the objectives stated on the JCP.
- SEC. 17. Section 53395.19 of the Government Code is amended to read:
- 53395.19. (a) A public financing authority may enter into a joint powers agreement pursuant to Section 6500 with an affected taxing entity to carry out the purposes of this chapter with regard to nontaxing authority or powers only.
- (b) This section shall not be construed to prevent the legislative body from amending its-infrastructure financing plan *JCP* and adopting a resolution proposing formation of the-infrastructure *jobs and education* financing district without allocation of the tax revenues of any affected taxing entity that has not approved the infrastructure financing plan *JCP* by resolution of the governing body of the affected taxing entity.
- SEC. 18. Section 53395.20 of the Government Code is amended to read:
- 53395.20. (a) At the conclusion of the hearing, the legislative body may adopt a resolution adopting the infrastructure financing plan *JCP*, as modified, and formation of the infrastructure *jobs* and education financing district in a manner consistent with Section 53395.19, or it may abandon the proceedings.

—14 — **AB 690**

7

14 15

16 17

18 19

20

21

22 23

24 25

26 27

1 (b) An election shall not be required to form the district.

- 2 (c) A public or private owner of land that is not within an 3 existing district, but that has any boundary line contiguous to a boundary of the district, may petition the legislative body for inclusion of the land in the district without an election. 5
- Section 53395.23 of the Government Code is 6 SEC. 19. repealed.
- 8 SEC. 20. Section 53395.24 of the Government Code is 9 repealed.
- SEC. 21. Section 33459 of the Health and Safety Code is 10 amended to read: 11
- 12 33459. For purposes of this article, the following terms shall 13 have the following meanings:
 - (a) "Department" means the Department of Toxic Substances Control.
 - (b) "Director" means the Director of Toxic Substances Control.
 - (c) "Hazardous substance" means any hazardous substance as defined in subdivision (h) of Section 25281, and any reference to hazardous substance in the definitions referenced in this section shall be deemed to refer to hazardous substance, as defined in this subdivision.
 - (d) "Local agency" means a single local agency that is one of the following:
 - (1) A local agency authorized pursuant to Section 25283 to implement Chapter 6.7 (commencing with Section 25280) of, and Chapter 6.75 (commencing with Section 25299.10) of, Division
- 28 (2) A local officer who is authorized pursuant to Section 101087 29 to supervise a remedial action.
- 30 (3) A job and infrastructure district.